#48

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Japan's Fruit and Vegetable Prices

Feedstuffs:

USSR and Eastern Europe

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Licensed dealers sample melons prior to auction at the Kanda Wholesale Market, Tokyo. See story beginning on this page for further aspects of Japan's wholesale fruit and vegetable system and its effect on consumer prices.

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Sorting onions for the market.

Spiraling Vegetable and Still Trouble Japanese

By GORDON S. NICKS
Assistant Agricultural Attaché
Tokyo

Last winter, prices of many fruits and vegetables in Japan jumped as much as 50 percent above those of the previous winter. Prices were especially high for staples—such as cucumbers, tomatoes, cabbages, Chinese cabbages, and onions, which together total nearly one-quarter of the average Japanese housewife's vegetable purchases.

Both consumers and growers lay the blame for high prices on the overburdened distribution system and on the Government's alleged overemphasis on rice production—at the expense of perishables. Spiraling fruit and vegetable prices have also triggered widespread criticism of the Government's efforts to stabilize supplies of perishables.

Traditional Government policy for stabilizing vegetable prices has been to guarantee minimum prices to growers of key vegetables, such as cabbages and onions. Although the Government does not guarantee fruit prices, it does provide growers with low interest loans and cost sharing for orchard development. However, such attempts to stabilize consumer supplies of fruits and vegetables have been too "stopgap" to permanently affect retail prices.

Typical retail vegetable shop.

Licensed dealers bidding at wholesale market.

Fruit Prices Market System

The seasonally heavier flow of produce in the summer months has moderated prices from last winter's peak levels, but traditional Government policy will probably not be able to prevent another round of high prices in the coming fall and winter months, when greenhouse production constitutes the major share of fresh vegetable shipments.

Where the money goes. Why have prices of perishables continued to rise so rapidly? The answer can be found by tracing produce from the farmer's fields to the housewife's shopping basket. Typically, an item of produce passes through many hands on its way to the housewife: from farmer to co-op concentration point, to wholesale market, to dealers and jobbers, to middlemen, and then to the retail store where the housewife makes her purchases of fruits and vegetables.

Gross prices received by farmers as a share of retail selling prices are 20 percent for vegetables and 50 percent for fruits. Shipping costs, wholesalers' and dealers' commissions, and retailers' margins account for the remaining share of the retail price.

Farmers are troubled by the relative scarcity of farm labor, which has forced fruit and vegetable production prices sharply upward. Growers also complain that more stringent regulations on the use of agricultural chemicals have hampered their efforts to control plant diseases and pests.

After produce leaves the farm, about 90 percent of it goes to a system of 59 central public wholesale markets, which are located in 28 cities. (Most of the other 10 percent goes to 3,500 regional, privately owned, "decentralized" markets scattered throughout the less populous areas of the country.)

The central markets consist of licensed wholesalers and designated buyers and jobbers. Wholesalers, who are permitted to place farmers' consignments on the auction floor, receive a fixed commission of 8.5 percent of the auction price of vegetables and 7 percent for fruits; in turn, they must pay one-quarter of 1 percent to the market authority, plus a space rental fee. The designated buyers and jobbers, who buy from the auction floor, sell their goods from stalls within the marketplace to retailers or to institutional buyers at negotiated prices; they gross about 7 percent and net from 1 to 2 percent.

The largest of the central wholesale markets is the Tokyo Central Market (owned by the Tokyo Metropolitan Government), which consists of one main market, seven regional markets, and 13 branch markets, and which handles 20 percent of all the fruits and vegetables sold in Japan. However, 22 percent of the fresh fruits and 35 percent of the vegetables sold at the Tokyo auction are reshipped beyond the Tokyo area—which adds to consumer costs and unnecessarily burdens the already congested highways and central marketing facilities.

The Japanese retailing system also has some inherent shortcomings which tend to perpetuate high fruit and vegetable prices. Japanese housewives prefer to buy small quantities of many varieties of fresh produce daily—partly because the average home refrigerator lacks the cooling capacity to store either fresh or frozen fruits and vegetables. Such consumer buying habits require a widely dispersed system of small fruit and vegetable retail shops, which—because of their relatively small size—are forced to have high margins.

Keeping prices down. The Government has attempted to improve production and distribution of fruits and vegetables in several ways. First, it has tried to expand production by offering farmers nearly $400 per acre to divert riceland to vegetable production. Few farmers have taken advantage of the offer, perhaps because they can receive $337 per acre to leave riceland fallow.

The Government has also moved to decrease the strain on central marketing facilities by strengthening the decentralized markets which are scattered throughout the country. In the past, decentralized markets suffered from insufficient volume, poor credit facilities, and narrow selection of produce; consequently, many farmers preferred to consign their produce to the central markets where the prices were more active. Now, thanks to the Government's efforts, more farmers are consigning their crops to the decentralized markets, although the central markets will probably continue to set the price tone for all of Japan.

The Government has also acted to give farmers more control in pricing. In the past, the consignment selling method prevented farmers from having any control over selling prices. The farmers' only help came from *Nichienren*, an association serving fruit and vegetable growers, which provides marketing information to help growers' cooperative associations maintain an

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Loading vegetables for delivery to retail shops.

Sale of Feedgrain to USSR Reflects Shifting Pattern Of Soviet Grain Needs

The November purchase of approximately 3 million metric tons of feedgrains by the USSR is equivalent to about 7 percent of total annual world trade in feedgrains; and it probably represents the largest single purchase ever to occur in that trade.

The sales agreement, concluded early this month between representatives of the Soviet Government and certain international grain companies, called for the shipment of about 2 million tons of corn, the remainder to be barley and oats. Grain movements were to begin within the next few weeks, with all the grain to be shipped by July 1972. Payment was to be made in cash, with U.S. dollars.

The announcement of this feedgrain sale has generated considerable interest in the Soviet grain situation and the pattern of Soviet grain trade in recent years. From time to time, the Soviet Union has been a very large buyer of wheat, and earlier this year it arranged for the purchase of about 4 million tons from Canada, Australia, and France. The recent Soviet purchase of feedgrains, however, has drawn special interest because annual feedgrain imports by the USSR in recent years have not

GRAIN STATISTICS OF THE USSR AND EASTERN EUROPE

Year beginning July 1	Area	Yield	Production	Imports	Exports	Domestic use and stocks changes [1]
	Million hectares	*Quintals per hectare*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*
USSR:						
1962	115	8.6	99.2	0.2	10.0	89.4
1963	113	7.1	80.3	9.9	3.3	86.9
1964	118	9.1	107.4	2.1	3.8	105.7
1965	116	7.8	91.0	8.6	4.2	95.4
1966	114	11.9	135.3	3.3	5.1	133.5
1967	111	10.3	114.3	2.2	6.2	110.3
1968	111	12.0	133.3	1.1	6.7	127.7
1969	112	10.8	120.4	1.8	6.8	115.4
1970	111	12.8	140.1	[2] .8	[2] 7.9	133.0
1971	110	12.6	[2] 138.6	[3] 4.7	[4] 4.5	138.8
Eastern Europe:						
1962	31	17.7	54.9	9.2	1.8	62.3
1963	30	18.9	56.7	7.3	1.8	62.2
1964	30	19.6	58.8	9.8	1.5	67.1
1965	30	20.8	62.4	10.0	1.8	70.6
1966	30	22.8	68.3	7.3	3.2	72.4
1967	30	23.3	69.8	6.4	3.9	72.3
1968	30	23.4	70.3	5.9	2.4	73.8
1969	30	24.7	74.2	7.2	2.4	79.0
1970	28	23.2	65.0	[2] 10.0	[2] 1.2	75.3
1971	31	25.7	[2] 79.7	[5] 8.5	[4] 1.6	86.6

[1] Residual. [2] Preliminary. [3] Estimate based partly on contracts announced thus far; assumes that almost 3 million tons of the recent USSR wheat purchases will either move to 3d countries such as Eastern Europe or, in small part, will not move until after June 30, 1972. [4] Estimate. [5] Estimate; assumes decline of almost 2 million tons in shipments from the USSR. Note: Statistics include wheat, rye, corn, barley, and oats only.
Hectare = 2.471 acres; quintal = 220.46 lb.

SOVIET UNION: GRAIN IMPORTS [1]

Type and source	1965	1966	1967	1968	1969	1970
	Mil. metric tons	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*	*Mil. metric tons*
Wheat:						
Canada	5.2	2.7	1.4	0.1	1.1	0.3
Australia	.6	—	—	—	—	—
Argentina	2.2	([2])	—	—	—	—
Others	.6	.4	.4	.4	.4	—
Total	8.6	3.1	1.8	.5	1.5	.3
Feedgrains:						
Argentina	([2])	([2])	([2])	.2	([2])	.2
EC	—	—	—	.1	—	.1
Others	.1	.3	.3	.2	.4	.2
Total [3]	.1	.3	.3	.5	.4	.5

[1] Year beginning July 1. [2] Less than 50,000 tons. [3] Partially estimated to allow for small imports from East European sources; includes none from the United States.

USSR Seeks Greater

The recent sale of feedgrains to the USSR by two international trading firms reflects the strong efforts being exerted by the Soviet Government to increase domestic output of livestock products. These efforts are an important part of a larger program to increase the supply of consumer goods to the Soviet people.

Several years ago, plans were announced by the Soviet Government to sharply increase the production of livestock. Part of this program included increased production of feeding materials. But, while the Soviets have made substantial progress in increasing agricultural output during recent years, domestic output of animal products does not fully meet their needs. For example, consumption of meat in 1970 was about 110 pounds per capita—roughly one-half of per capita meat consumption in the United States.

The decision to import feedgrains is only one of several steps being taken to increase livestock production. Perhaps most important of these is a sharp upward revision in Government procurement prices for livestock products, making livestock farming a significantly more profit-

exceeded more than a few hundred thousands of tons.

Reports to date indicate that the total 1971 Soviet grain crop was relatively good by comparison with those of most recent years, but probably about 5 to 10 percent below last season's record of 140 million metric tons. Information on the corn crop, however, which is the latest of the major grains to be harvested, is as yet extremely limited. Corn normally accounts for about 5 percent of the total grain crop harvested in the Soviet Union.

The USSR has been a net exporter of grains in every year since 1965-66, with net exports ranging from about 2 million tons to over 6 million tons annually. Since the year of the latest major Soviet grain crop difficulty, 1965, Soviet grain imports have held at a fairly low level, declining steadily from 3.3 million tons in 1966-67 to a level estimated at slightly under 1 million tons last year.

The USSR's imports of wheat have tended to fall; its imports of coarse grains, however, have edged upward somewhat of late, even though remaining at relatively insignificant levels. Its principal suppliers of wheat during the most recent years have been Canada, France, and Australia; its suppliers of feedgrains have been mainly Argentina and several countries in Western Europe.

A continuing major factor in the Soviet Union's grain situation is the supply and requirements of grain in neighboring countries of Eastern Europe. Normally the USSR supplies these countries with wheat and feedgrains in quantities ranging around 3 million to 5 million tons per year. The grain requirements of these countries, however —like those of the USSR itself (see box)—have been increasing as a result of their efforts to boost their livestock industries and improve the availability of livestock products for domestic consumption.

The East European countries had exceptionally poor grain crops last year and were forced to import a record volume of grains. Although some of this came from Western sources, the Soviet Union was also called upon to provide very large quantities, thus immediately drawing upon its own record 1970 grain crop. Despite a sizable recovery in Eastern Europe's grain production this season, requirements for imported grain are again reported to be heavy—probably owing to a low level of carry-in stocks, to the increased livestock feeding program, and also to a poor forage and root crop.

—GRAIN AND FEED DIVISION
Foreign Agricultural Service

Livestock Expansion

able enterprise for the Soviet farmer.

Other measures are:

- The establishment of specialized poultry and livestock farms. This is being done by converting existing diversified farms into specialized operations.
- The establishment of inter-collective-farm feeding centers where cattle, swine, and sheep grown on the member farms will be brought together and fattened before being marketed.
- The establishment of inter-collective-farm feed mixing plants which will provide balanced rations and also premix feed concentrates for use by the member farms and the fattening centers.
- Purchases of high-quality breeding stock in Europe, Canada, and the United States to upgrade the quality of Soviet livestock.

Soviet officials are confident that the course they are pursuing will eventually lead to a more modern and highly productive livestock industry. These developments may provide further opportunities for U.S. agricultural exports to the Soviet Union.

Team Foresees U.S. Export Gains As East European Feed Needs Rise To Meet Bigger Demand for Meat

A team of U.S. soybean and grain specialists surveying market prospects in four countries in Eastern Europe reported that U.S. producers can expect export gains in this area in the years ahead, particularly for soybeans.

Raymond A. Ioanes, Administrator of the Department's Foreign Agricultural Service, was leader of the team, which completed a 9-day tour of Romania, Hungary, Czechoslovakia, and Poland early in November.

Representatives of the farm and trade commodity groups were Chet Randolph of the American Soybean Association, Joseph Halow of Great Plains Wheat, and Darwin E. Stolte of the U.S. Feed Grains Council.

The team said the governments of all four countries are determined to improve the animal protein diets of their people during the next few years.

This means increasing use of feed components necessary to spur livestock production and a broadened demand for the commodities represented on the team—feedgrains, soybeans, and wheat.

Noting that the United States is the largest supplier of protein meal to the region, the team said the countries visited "will clearly require" more protein meal imports to support rising livestock and poultry numbers and to improve feeding practices. This points to gains for U.S. soybean producers and processors in the future.

The situation should also lead to export gains for U.S. feedgrains, according to team members, even though the United States is not currently the major supplier in the area.

Despite ambitious programs for domestic production of feed materials, the team said, the drive to improve consumer diets likely will lead to shortfalls in production that will be met through imports.

In addition, countries which in the past have had surplus grain for export may need to use more of their grain at home, reducing competition in third country markets.

The team said U.S. wheat producers stand to benefit from the intensive livestock development programs, although

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Greek Olive Oil Production Faces Rising Competition From Soybeans

By J. C. FRINK
U.S. Agricultural Attaché
Athens

Rising production costs may force a decline in Greek consumption of olive oil, a traditional staple of Greek diets. Part of the present market for olive oil may be taken over by soybean oil, which is expected to become more competitive as a new soybean crushing mill comes into operation.

Olive oil accounts for 74 percent of the total Greek production of around 270,000 metric tons of fats and oils. Its production has increased an average of 3 percent annually over the past 10 years while former wide fluctuations in production from year to year have been considerably reduced.

Increased production is the result of new plantings of olive trees and improved cultural practices such as disease and insect control. These plantings have led to a net average annual increase of 1 percent in the number of Greek olive trees—slightly offsetting the number of trees that have decayed or have been uprooted.

Because of higher yields from new trees and better cultivation practices, the Greeks could increase olive oil production. However, it is not likely that the full potential will be reached because rising labor costs (more than two-thirds of the 25-cent-a-pound cost of production) will make olive oil less competitive with other vegetable oils.

Greek consumers are, however, accustomed to using olive oil and it is estimated that at least 100,000 metric tons of annual consumption is inelastic —that is, price will not affect consumption. That leaves 70,000 metric tons of current domestic consumption that is vulnerable to competition from products such as soybean or cottonseed oil.

Olive picking in Greece. Olive oil is Greece's most important edible oil, but high labor costs have reduced its competitiveness compared to other oils.

The greatest competition for olive oil will come from soybean oil. The new soybean crushing plant on the Saronic Gulf between Athens and Corinth is expected to begin operations in late 1972, crushing about 150,000 metric tons of soybeans a year. This will eventually reach 250,000 to 300,000 metric tons, depending largely upon foreign markets for both oil and meal. A crush of 150,000 metric tons would produce 27,000 tons of oil and about 115,000 tons of meal.

Initially it is expected that a large portion of the mill's production will be exported since present Greek soybean meal and soybean oil consumption are only about 35,000 and 8,500 metric tons, respectively, a year. However, this figure is not indicative of potential Greek consumption since the Government now regulates the amount of soybean oil that can be imported and its distribution within the country. After the crushing plant begins operations, Greek consumption and imports of soybeans should increase rapidly.

Of the other seed oils, only cottonseed is currently of any importance. The Greeks consumed 28,000 metric tons of cottonseed oil in 1970—11 percent of total consumption of edible oil of about 250,000 metric tons a year. About one-fourth of this was used in margarine and cooking fats production, which is increasing at a rate of 4 to 5 percent annually.

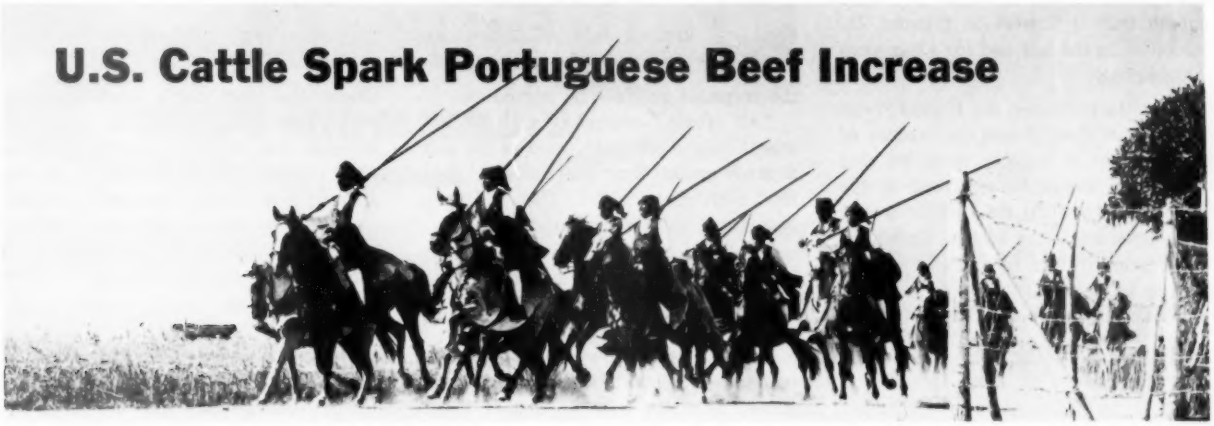
It is expected that production of cottonseed will increase over its 1970 level of 172,000 metric tons (of which 155,000 metric tons were crushed). This should cause some decline in imports of cottonseed (60,000 metric tons in 1970) with a further decline anticipated when the new soybean crushing plant comes into operation.

In addition to olive oil, Greece produces olive oil residue, or sulfur oil, which is a byproduct of the olive oil extraction process. As extracting techniques improve, less residue is produced and more of the production is available for edible purposes. Annual consumption of this residue has varied between 12,000 metric tons and 22,000 metric tons in recent years while edible consumption has reached about 70 percent of the total. Olive oil residue used for soapmaking has declined from about 9,000 metric tons in 1966 to about 6,000 metric tons in 1970.

In place of olive oil residue the Greek soap industry has used an increasing amount of animal fat, mostly imported tallow from the United States (4,200 metric tons in 1970). Tallow imports are increasing at a rate of more than 5 percent annually for use by the glycerine and fatty acid industries as well as for manufacture of luxury soaps.

Production of animal fats, including butter, averages about 15,000 metric tons a year. This could increase significantly with the expansion of the livestock industry.

U.S. Cattle Spark Portuguese Beef Increase



Portuguese cowboys at annual roundup near Vila Franca de Xira.

By FORD M. MILAM
U.S. Agricultural Attaché
Lisbon

As a result of a program of cooperation that started in 1964, U.S. and Portuguese Government officials and cattle breeders have helped strengthen that country's beef industry. Domestic production has increased by more than 70 percent between 1967 and 1970, while imports have dropped by nearly 83 percent.

According to the Portuguese National Institute of Statistical Reports, Portugal's beef and veal production rose from a total of some 50,000 metric tons in 1967 to 86,000 tons in 1970, permitting an import drop from 26,219 metric tons to 4,470 tons.

Argentina, Brazil, Angola, Romania, and Russia have been important sources of Portugal's meat imports. The United States supplies feedgrains and soybeans.

Hereford cattle imported from the United States in 1967 and the stress laid on market development since then by the U.S. Agricultural Attaché's Office in Lisbon and the Foreign Agricultural Service's Livestock and Meat Products Division helped spark this improvement in the Portuguese beef-production picture.

For many years, Portugal had sought to reduce its annual meat import bill, which averaged $5.6 million a year from 1960 to 1964, inclusive. In the latter year, a survey of the industry revealed that some beef producers wanted to reduce import costs by more intensive breeding of domestic stock, while others wanted to start a crossbreeding program using domestic stock with imported cattle.

Statistics supported the latter position. Records showed that for 100 years attempts to improve domestic breeds with little recourse to foreign animals had resulted in almost no improvement or expansion of the Portuguese beef industry during that time.

The country's only foreign breed available in any quantity was the Charolais, but these high-quality cattle were not being utilized in any extensive crossbreeding program.

Instead they were kept mainly in purebred herds for Spanish and Portuguese shows, for sales among purebred breeders, and for an occasional export to Angola, Mozambique, and Spain.

A small number of Santa Gertrudis had also been imported in the late 1950's as well as a few Herefords from the United Kingdom.

But the presence of these imported cattle had had little impact on the Portuguese beef industry.

After much study Portugal decided to improve quality and output by starting a wide crossbreeding program with domestic stock and imported animals then available; by importing large numbers of Herefords to expand the program; by improving nutrition and pastures; and by paying a premium to breeders who retained male dairy calves for at least 6 months, instead of selling them soon after birth for veal.

In 1965, a high-level team of Portuguese veterinarians and agronomists visited the United States for a firsthand look at U.S. beef production methods and breeds.

Largely as a result of this trip, Portuguese beef producers began to import U.S. Herefords—both purebred and commercial. By the end of 1967 the total was approximately 1,800 head.

At the time, this was a record for the largest number of U.S. beef breeding cattle exported to any single market, all for cash. It was broken in 1968, however, when Chile purchased 5,000 head of U.S. Herefords with Agency for International Development (AID) financing.

The influx into Portugal of such a large number of foreign animals in so short a time created the strong possibility that managerial problems would befog the main purpose of the program —to introduce more good beef bloodlines for an expanded crossbreeding program. There were some management stresses and a small outbreak of anaplasmosis, but most of these problems were cleared up by the end of 1969.

Several events during the first half of 1969 helped give the Portuguese beef industry the impetus necessary for future growth. The Government of Portugal issued new regulations on beef production giving a $17.50 bonus to producers of male dairy calves for each kept until 6 months old or older. The regulations also provided a subsidy for beef animals marketed for slaughter before the age of 30 months. The average age for beef slaughter had previously been 4 to 5 years.

In June, 1969, the U.S. Department of Agriculture again participated in the Santarém Fair. Because no U.S. Herefords were to be brought in for the fair, offspring of cattle imported in 1967—

both purebred and commercial—were put on feeding lots to be fattened for exhibition at the fair and for subsequent slaughtering.

A contract between the United States Feed Grain Council and the breeder of the commercial animals provided that two beeves would be exhibited at the U.S. Pavilion, while the balance would be slaughtered at the Lisbon Slaughterhouse prior to the fair. The carcasses were to be graded and complete cutout data recorded on at least two of them.

Two young Hereford bulls were slaughtered on May 19, 1969, and 2 days later Kenneth Nuernberg, an expert formerly with the Livestock and Meat Products Division, prepared the cutout data before television cameras and a live audience.

Four other young Hereford bulls were slaughtered on May 26 and their carcasses were entered with 36 others in a contest to choose the best Hereford or Hereford-cross carcass. One U.S. Hereford carcass won second place, while the first-place carcass was from a U.S. Hereford-Mertolenga cross.

By the end of 1969 there was a definite improvement in beef quality and total quantity had risen without an increase in the beef population. More feedgrains were being fed to young beef and dairy animals; crossbreeding using Herefords and Charolais on local breeds was in full swing; and the better hotels and restaurants were demanding higher quality beef cuts.

A new decree law passed in May 1971 permits unrestricted distribution of meat from approved slaughterhouses. The law established a special class of beef to be supplied to hotels and restaurants catering to the tourist trade and to others willing to pay the premium price. Portuguese producers found a ready market for their product.

Portugal's livestock industry, along with its poultry industry, has upped use of feedgrains. Some 67,505 metric tons of U.S. corn were imported in 1969 and 262,000 tons in 1970. In the first 5 months of 1971, Portugal bought a total of 152,000 tons.

In 1970, U.S. agricultural exports to Portugal exceeded $35 million, including $14 million in wheat and $11 million in corn. U.S. exports of oilseeds (mainly soybeans) to Portugal have increased from zero in 1967 to $2.2 million in 1970, and are expected to continue to increase rapidly.

Feed in East Europe (Continued from page 5)

the response may not be immediate.

"All these countries are feeding wheat," the report said, "and as the pull is made against their supplies, they may feed even more wheat. This pull may also reduce their exports of wheat."

The team cited two more factors as improving the general outlook for U.S. wheat exports.

One is the likelihood that as the economies in the four countries improve, they will want to import more quality wheat necessary for better bread products.

The other is that the recent large sale of feedgrains to the Soviet Union indicates the same drive to expand animal product production. If developments in the livestock industry dictate that Russia, a major supplier, retain more of its grain for home use, the market for U.S. wheat will broaden.

The team members cautioned that all the countries visited are short of foreign exchange. This makes their ability to buy in hard foreign currency dependent on their ability to conserve foreign exchange.

They added that trade will increase more as it becomes possible for economic and political relations between the United States and these countries to strengthen.

Further details from the report:

The livestock expansion goals in the four countries range from an increase of 18 percent in Hungary and Czechoslovakia to 100 percent in Romania. Their heaviest emphasis is on hogs, which generally require high-energy, high-protein rations. The planned targets are far in excess of the results achieved by these countries in recent years. For example, Poland hopes to increase its per capita availability of meat in 5 years by the same amount that availability rose in the last decade.

Each of the countries has placed the highest priority on the improvement of diets. In some cases export markets for livestock products are being relinquished and foreign exchange is being used to finance imports.

The dedication to this goal is apparent in all countries. In Poland, for example, the team came from meetings with Polish officials with the clear impression that meeting demands of the people was a No. 1 objective. If the planned per capita increase in meat supplies calls for an expansion of imports of feeding materials to meet these goals, the imports will be made.

Incentives are being widely used. Prices have been increased to producers, grants and loans are being widely employed and the use of modern technology encouraged. For example, in Romania these take the form of Government efforts to assist the development of large-scale livestock units through long-term credit and grants. The same is being done in Czechoslovakia and Hungary.

In Poland the major incentive to expand production is price to the producer. Compulsory meat deliveries are being abolished at the end of this year, and Polish farmers will be free to specialize in those products most profitable to them.

This does not mean that these countries are not attempting to improve self-sufficiency in feeding materials. Romania is planning to double its corn acreage under irrigation in the next 5 years and to double soybean acreage. Hungary is engaged in a highly specialized and concentrated effort to double corn yields.

The Hungarian effort is centered around the Babolna state farm and modern production methods are being extended from 15,000 acres on the model farm to 75,000 acres on cooperating farms. Eventually it is planned to extend the program to 750,000 acres under continuous corn production. The plan utilizes American seed, technology, and equipment. In the judgment of the team, the Babolna and the Romanian irrigation goals are ambitious undertakings. Yet they illustrate the drive of these countries to meet their livestock targets.

The team also observed that the same pressure for increased beef supplies is present in some of the countries visited as in the rest of the world. In Romania, for example, the team visited one of 41 confined beef facilities now operating in that country which are each fattening approximately 10,000 head annually.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 23	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14. .	2.00	0	[1] 2.08
USSR SKS-14	1.87	0	2.07
Australian FAQ	1.66	0	1.95
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	+1	2.08
15 percent	([2])	([2])	2.11
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	−1	1.99
No. 3 Hard Amber Durum..	1.80	0	2.01
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter..	1.78	+1	1.87
Feedgrains:			
U.S. No. 3 Yellow corn	1.41	+1	1.72
Argentine Plate corn	1.55	+2	1.87
U.S. No. 2 sorghum	1.43	0	1.61
Argentine-Granifero sorghum	1.44	+1	1.60
U.S. No. 3 Feed barley	1.21	+3	1.56
Soybeans:			
U.S. No. 2 Yellow	3.37	0	3.38
EC import levies:			
Wheat [3]	[4] 1.50	−1	1.27
Corn [5]	[4] 1.02	0	.75
Sorghum [5]	[4] 1.01	−1	.75

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

SUGAR AND TROPICAL PRODUCTS

International Coffee Organization Approves Diversification Projects

The Diversification Fund Board of the International Coffee Organization met during the last week of October and approved proposals for financing projects in five coffee-producing countries. The total value of these projects amounts to US$19.56 million. The countries involved are Brazil, Colombia, Guatemala, the Ivory Coast, and Tanzania. Following Board authorization for the projects, the Executive Director of the ICO will enter into negotiations with the governments of the countries involved and will sign the appropriate loan contracts on behalf of the Fund.

The five projects are:

- $1.98 million for surveys of the coffee industry and the improvement of statistical techniques in Brazil.
- $7.2 million for the development of cocoa production in coffee-producing areas of Colombia.
- $3.34 million for the development of oil palm, fruit, and dairy farming in coffee-producing areas of Guatemala.
- A $5.87-million project for the development of rice cultivation at Yamoussoukro in the Ivory Coast.
- A $1.17-million project to contribute (in participation with the International Development Association and the Norwegian Agency for International Development) toward the financing of a project for small-holder tea development for Tanzania.

The projects in Colombia, Guatemala, and the Ivory Coast are designed to meet domestic demands.

Resources in the ICO Fund presently amount to some $81 million. It is expected that this will increase to $134 million by the time the International Coffee Agreement expires in September 1973. The first project approved by the Fund was in April 1971—$460,000 was granted to Kenya for a livestock development project.

DAIRY AND POULTRY

Canada Subsidizes Poultry Slaughter

On November 1, the Government of Canada initiated a poultry slaughter program designed to stabilize egg supplies. The program is to be carried out over an 8-week period and will offer egg producers financial inducement to reduce the size of their laying flocks.

According to Agriculture Minister H. A. Olson, "the move is being undertaken to stabilize egg supplies and prevent a buildup in egg stocks as a result of the curtailment of exports to the United States." Payments to producers under the program will be made from the Agricultural Stabilization Board's working fund. These payments would supplement prices received by producers in disposing of their hens through registered processing plants.

The number of hens currently removed from the laying flocks and marketed through processing plants totals 2,320,000 in an average 8-week period. This total has been set as the base for payments under the program. A target for the slaughter of an additional 320,000 hens over this base level has been set. Payments to producers would total $160,000 if the slaughter goal of an additional 320,000 birds is achieved. The amount producers receive per bird will depend on the total slaughter in the 8 weeks. There will be a sliding scale of payment with amounts increasing in proportion to the increase in slaughterings.

Portugal Establishes New Milk Price Policy

Effective October 1, 1971, a new milk production and price policy has been in force in Portugal. This is a further effort by the Government to encourage and accelerate the increase in domestic milk output, which has not grown as rapidly as expected.

The new policy provides across-the-board increases in producer prices of milk without increasing the price of pasteurized milk to the consumer. The higher producer prices will be supported by subsidies amounting to US$7 million a year.

Fluid milk will be classified into three grades: A—pasteurized; B—ordinary; and C—base. In addition to the three official grades, a select type of high-quality milk, referred to as "Special" milk, normally is sold to the public at prices free of Government control. However, recent drought conditions have led to excessive increases in the price of Special milk. As a result, the Government has decided to place this grade of milk under a price ceiling.

FATS, OILS, AND OILSEEDS

Mexican Soybean Crop Falls Below Needs

U.S. trade sources have estimated that Mexico will require the meal from 440,000 metric tons of soybeans in 1971-72 while domestic production of protein meals will only reach 240,000 metric tons. The demand for soybeans comes from the livestock and poultry industry, which are continuing to increase their demand for high protein feeds.

At present, soybean oil usage is confined to bulk and institutional users. The major edible oils are safflower oil, sesameseed oil, cottonseed oil, and sunflowerseed oil. The current sunflowerseed crop may produce between 45,000 and 75,000 tons of seed.

There is considerable interest on the part of the Mexican soybean-processing industry in the production of soybean products for human use but this is only at the experimental stage. In particular, the Mexican Government is reported to be interested in a program of increasing protein intake in the average Mexican diet by blending soy flour with cornmeal and wheat flour.

TOBACCO

Canadian Tobacco Market Open With Lower Prices

Auction markets for the 1971 crop of Canadian flue-cured tobacco opened Thursday, November 4, with lower prices. Sales on opening day were 1.5 million pounds at an average 57.1 U.S. cents per pound. About 17 percent of the offerings were rejected by growers because of low bid prices. Last season a total of 1.9 million pounds were sold on opening day at an average of 59.8 U.S. cents per pound.

This year's flue-cured production is estimated at 212 million pounds, compared with 214.1 million pounds a year ago.

FRUITS, NUTS, AND VEGETABLES

Hamburg Prices of Canned Fruits and Juices

Quotations are for importers' selling prices in Hamburg for canned fruits and juices in October compared with prices in the previous quarter and last year. Prices include duty and the sugar-added levy but exclude the value-added tax. Sales are in lots of 50-100 cases.

Type and quality	Size of can	Price per dozen units [1] Oct. 1970	July 1971	Oct. 1971	Origin
CANNED FRUITS		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricot halves:					
Choice	2½	—	4.59	4.59	So.Africa
Do, light syrup	2½	2.85	3.09	3.27	Greece
Not specified	2½	3.28	3.60	3.79	Spain
Peaches, halves:					
Choice	2½	—	4.68	5.04	U.S.
Do, light syrup	2½	—	4.28	4.34	So. Africa
Light syrup	2½	3.77	3.91	4.12	Italy
Unspecified	2½	4.10	—	4.30	Australia
Do	2½	2.85	3.12	3.34	Greece
Pears:					
Heavy syrup	2½	3.87	3.94	4.13	Italy
Fruit cocktail:					
Choice	2½	5.28	5.35	5.64	Australia
Heavy syrup	2½	5.57	5.66	5.78	U.S.
Not specified	2½	—	4.94	4.52	Italy
Cherries, red pitted:					
Fancy water pack	10	20.16	22.97	24.76	U.S.
Do	10	—	—	18.07	Greece
Pineapple, whole slices:					
Fancy	2½	5.25	—	5.86	U.S.
Choice	2½	4.77	4.22	4.16	U.S.
Do	30 oz.	3.87	3.77	3.94	Taiwan
Not specified	2½	3.51	3.29	3.33	So. Africa
CANNED JUICES					
Grapefruit, unsweetened	[2] 1 ltr.	4.13	4.08	3.83	Israel
Do	43 oz.	3.74	3.70	3.65	Greece
Do	43 oz.	4.80	5.04	5.31	Israel
Orange, unsweetened	[2] 1 ltr.	3.48	3.36	3.54	Israel
Do	43 oz.	3.41	3.46	3.65	Greece

[1] Conversion of deutsche mark prices to U.S. dollars at approximate parity existing when quotations were observed.
[2] Packed in glass bottles.

Bad Weather Reduces Japanese Hop Production

Adverse weather conditions severely hampered Japan's 1971 hop production, currently placed at 5.0 million pounds, 10 percent below last year's small harvest. Fungus infestation, following heavy rains and high humidity, is blamed for the lowered output. Yields during 1971 averaged 1,263 pounds per acre, well below both 1970's 1,409-pound average and the record 1968 average of 1,658 pounds.

Imports during the 1970–71 season totaled a record 5.2 million pounds, well above the 1969–70 level of 3.4 million. This tremendous growth resulted from increased consumption of brewery products, low stock level at the start of the 1970–71 season, and the small 1970 crop. For several years, the Japanese brewery industry has been testing hop extract, and it now appears that this product has gained acceptance. How-

ever this item is not recorded separately by Japanese custom officials, and trade statistics are not available at this time on imports of hop extract.

Japanese Deciduous Fruit Pack Down

Japan reports a smaller 1971 canned deciduous fruit pack. Production is estimated at 5.3 million cases, equivalent 24 No. 2½ cans, 15 percent below the 1970 pack of 6.2 million cases but above the 1965–69 average.

Fresh production of both yellow and white peaches was down. The canned peach pack totaled 2.9 million cases, 17 percent less than in 1970. Production of canned mixed fruit continued to climb, reflecting larger consumer demand; it totaled 480,000 cases during 1971. Packs of apples, cherries, and apricots were lower, while canned pear production was larger than in 1970 but below average.

JAPANESE CANNED DECIDUOUS FRUIT PRODUCTION

Item	1968	1969	1970 [1]	1971 [2]
	1,000 cases [3]	*1,000 cases* [3]	*1,000 cases* [3]	*1,000 cases* [3]
Peaches	3,213	3,708	3,461	2,880
Apples	1,161	1,344	1,301	1,280
Mixed fruit	306	343	446	480
Pears	315	463	263	299
Cherries	330	538	636	267
Grapes	103	74	46	48
Apricots	76	45	50	43
Total	5,504	6,515	6,203	5,297

[1] Revised. [2] Estimated. [3] Case contains 24 No. 2½ cans.

Spain's Table Olive Crop Up 65 Percent From 1970

Industry sources place Spain's 1971 table olive crop at 100,000 short tons, approximately 65 percent above last season. This estimate is substantially below that of 155,000 tons released by the Ministry of Agriculture earlier this season (and prior to damaging infestations of olive fly and olive kernel borer). The pack of exportable varieties is expected to total 93,500 tons: manzanillas and similar—44,000 tons, queens—27,500 tons, and others—22,000 tons.

Although official trade data have not been released, industry sources place Spain's table olive exports in the 1970-71 season at 71,600 tons compared to the 1969-70 total of 66,100 tons. The United States and Canada accounted for approximately 60 percent of 1970 exports, compared to nearly 75 percent the previous year. The outlook for the 1971 season is unclear because of the large crop and the U.S. dock strike. 1971 minimum export prices have not been released as yet.

Yugoslav Hop Production Declines 14 Percent

Yugoslavia's 1971 hop production has been placed at 5,000 short tons, 14 percent below last season's short crop and the smallest since 1959. The reduced crop is reported as due to dry weather conditions during the spring. Almost all the reduction occurred in Slovenia, where irrigation is not common.

Demand for hops within the domestic brewing industry continues to expand. Requirements for the 1971–72 season are placed at 1,650 tons, compared to 1,500 tons last season. This market expansion, combined with the lower crop and large export commitments (approximately 4,400 tons), will result in imports for the second straight year. Early estimates call for 550 tons of hop imports during the 1971–72 season, compared with 752 tons imported last year. Current plans call for construction of new hopyards starting in 1972. Under this plan, acreage is expected to increase by 250 acres annually over the next 4 years.

Netherlands Prices of Canned Fruits and Juices

Quotations are for wholesale offering prices of canned fruits and juices in the Netherlands in October compared with prices in the previous quarter and last year. These prices are on a landed weight basis including the sugar-added levy, but excluding the value-added tax.

Type and quality	Size of can	Price per dozen units [1] Oct. 1970	July 1971	Oct. 1971	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricot halves:					
Heavy syrup	2½	3.25	3.38	3.25	Greece
Fruit cocktail:					
Choice	2½	—	4.74	4.64	Italy
Peaches, halves:					
Fancy	2½	—	4.48	4.81	France
Do	2½	—	—	4.34	Australia
Standard	303	—	—	2.78	U.S.
Do	2½	3.05	3.15	2.95	Greece
Pears:					
Choice	2½	—	—	3.31	Italy
Pineapple, slices:					
Fancy, heavy syrup	2½	—	4.94	4.93	U.S.
Choice	2½	—	4.71	4.71	U.S.
Pineapple, pieces:					
Unspecified	20 oz.	—	—	1.86	Taiwan
Do	2½	—	2.78	2.62	Philippines
CANNED JUICE					
Orange, unsweetened	[2] 1 ltr.	—	3.78	3.78	Israel
Grapefruit, unsweetened	[2] 1 ltr.	—	3.88	3.88	Israel

[1] Converted at the old fixed rate of 3.31 guilders to US$1.00.
[2] Packed in glass bottles.

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Japanese Fruit and Vegetable Prices (Continued from page 3)

orderly flow of produce to the market system.

Now, due to an amendment to the Vegetable Price Stabilization Law, promulgated July 1, certain markets are permitted to operate with prices being negotiated rather than set by auction, thus assuring growers a voice in price setting. The amendment also allows supermarkets and department stores to become licensed buyers at auction markets.

In addition, some growers have undertaken contract production for large supermarket and department store chains—especially for less perishable items, such as onions and potatoes. This trend could revolutionize the retail fruit and vegetable market, since these stores are gaining an increasingly larger share of the total Japanese retail market.

Consumption of frozen fruits and vegetables has been low in Japan—less than 1 pound annually per capita—but has shown significant gains in recent years. Production of all frozen foods jumped 40 percent between 1969 and 1970, up to 200,000 tons, of which 34,000 tons were fruits and vegetables. In past years, institutional buyers took most of the frozen food production, but home consumption is taking an increasingly larger share: in 1966, only 15 percent of the annual frozen food production was consumed by noninstitutional buyers; by 1969, the figure had grown to 28 percent.

Although refrigerator size and cooling capacity are increasing, no sudden rise in home consumption of frozen foods is likely until neighborhood retailers install freezer display cases. Most frozen foods are currently sold by supermarkets and department stores.

Markets for American produce. Japan had the 15th highest per capita income in the world in 1970—about US$1,500. This affluence is being used to diversify the diet as well as to upgrade the general level of living. As affluence has increased, the percentage of disposable income spent on food has fallen, from 31 percent in 1964 to 27 percent in 1969; however, the amount of disposable income spent on fresh fruits and vegetables increased during that same period, from 4.5 percent to 5.8 percent. While some of this increase can be attributed to higher prices, a good share can be traced to increased quantities purchased.

At least part of this larger appetite has been satisfied by imports: fresh fruits and vegetables rose from 3 percent of total agricultural imports in 1960 to over 8 percent in 1970.

U.S. fresh fruits—mostly lemons, oranges, and pineapples—have totaled 15 percent of fresh fruit imports in recent years. Imports of grapefruit amounted to $1 million in 1970, but liberalization of this item, effective June 30, could mark the beginning of new growth for American exports. Competition could be stiff, however; South Africa is already shipping grapefruits, and Japan may soon amend the plant quarantine regulations to allow Israel and other Mediterranean countries to ship citrus fruits.

U.S. fresh vegetable shipments to Japan have been small in past years. In 1970, the United States shipped $765,000 worth of onions to Japan to fill a shortage caused by small crops in Japan and Taiwan, a traditional supplier. Such shipments are not likely to take place again unless growing conditions again reduce domestic production.

Domestic production of fruits and vegetables should continue to dominate the domestic market. Japanese trading companies are hesitant to deal in imports of perishable fruits and vegetables which are grown domestically, because of the high risk associated with rapidly changing prices.

The U.S. Government continues to press the Japanese to free the remaining agricultural items under quantitative restriction. If freed, a bright sales potential exists for oranges, fruit juices, and tomato products. If Japanese quarantine regulations were amended, U.S. growers could probably have a seasonal market for high quality apples, pears, and plums.

There are signs that the future may see reduced airfreight rates, which could be a boon for exports of certain U.S. fresh produce during Japan's winter months. Such changing conditions bear careful monitoring by U.S. businessmen to enable them to capitalize promptly on new market opportunities as they develop.

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